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TO ALL EAST ASIAN AND PACIFIC DIPLOMATIC POSTS

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E.O. 11652: GDS

TAGS: EGEN, ECON

SUBJECT: OFFICE OF ECONOMIC POLICY WEEKLY STATUS REPORT,
APRIL 5, 1977

1. ASEAN-JAPAN FORUM (CONFIDENTIAL)

THE FIRST MEETING OF EXPANDED ASEAN-JAPAN ECONOMIC DIALOGUE WAS HELD IN JAKARTA ON MARCH 23. FROM THE OUTSET THE BARGAINING WAS HARD. THE DAY LONG DISCUSSION WHICH RAN OVERTIME WAS DEVOTED PRIMARILY TO GENERAL TOPICS INCLUDING DEFINITION, GUIDELINES AND AREAS OF COOPERATION. ASEAN DID BRING UP JAPANESE FINANCING FOR THE ASEAN INDUSTRIAL PROJECTS, GREATER ASEAN ACCESS TO JAPANESE MARKETS AND COMMODITY ARRANGEMENTS. AGREEMENT WAS REACHED ON THE GENERAL TOPICS BUT JAPAN RESISTED ANY SPECIFIC COMMITMENTS AND ALSO THE ASEAN PROPOSAL THAT THE FORUM
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SHOULD BE DECISION MAKING AND NOT ONLY CONSULTATIVE.

PRESSURE ON JAPAN IS LIKELY TO MOUNT IN THE NEXT FEW MONTHS, FIRST DURING MARCOS' VISIT TO JAPAN THIS MONTH, THEN AT THE NEXT SESSION OF ASEAN-JAPAN FORUM EXPECTED IN TOKYO IN EARLY JULY AND FINALLY AT THE SUMMIT MEETING WITH FUKUDA SLATED FOR AUGUST. SOME ASEAN COUNTRIES AND PARTICULARLY MARCOS SEEM TO BE PUSHING FOR SOME "SPECIAL

RELATIONSHIP" ARRANGEMENT SIMILAR TO THE LOME AGREEMENT BETWEEN THE EUROPEAN COMMUNITY AND THEIR AFRICAN

CARIBBEAN PACIFIC (ACP) ASSOCIATES. ACCORDING TO ONE REPORT JAPANESE POLICY MAKERS ARE STILL UNDECIDED WHETHER TO WORK TOWARD A "BLOCK RELATIONSHIP" WITH ASEAN OR TO MAINTAIN THE GLOBAL APPROACH. THE FORMER OF COURSE WOULD OBVIOUSLY GIVE US GREAT DIFFICULTIES, ESPECIALLY IF IT WERE TO INCLUDE PREFERENTIAL TRADING ARRANGEMENTS.

2. ASEAN WORKING GROUP AGREES ON EMERGENCY OIL SHARING PLAN (LIMITED OFFICIAL USE)

THE ECONOMIC COMMITTEE OF THE ASEAN COMMITTEE ON PETROLEUM (ASCOPE) REACHED AGREEMENT ON AN EMERGENCY OIL SHARING SCHEME TO BE APPROVED BY THE FULL COMMITTEE PROBABLY IN MANILA IN OCTOBER 1977. THE AGREEMENT REFLECTS A "SPIRIT OF MUTUAL ASSISTANCE" AND MAY HELP THE PHILIPPINES PARTICULARLY SHOULD THERE BE AN OIL BOYCOTT BECAUSE OF MINDANAO. BUT SINCE THE SHARING WOULD APPLY TO RESOURCES OVER AND ABOVE DOMESTIC CONSUMPTION AND "COMMITTED EXPORTS" THE PRACTICAL EFFECT OF THE PLAN REMAINS UNCERTAIN.

3. PAPUA NEW GUINEA ACCESSION TO LOME CONVENTION (UNCLASSIFIED)

THE EC SIGNED THE AGREEMENTS FOR PAPUA NEW GUINEA'S CONFIDENTIAL

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ACCESSION TO THE LOME CONVENTION ON MARCH 28. THIS WILL MEAN SOME DOLLARS 16 MILLION IN EUROPEAN DEVELOPMENT FUND (EDF) AID FOR PNG ALTHOUGH THE AID CANNOT START UNTIL THE AGREEMENT IS RATIFIED, IN ABOUT A YEAR. PNG HAS NOT BEEN DESIGNATED A LEAST DEVELOPED COUNTRY UNDER ARTICLE 48 OF THE CONVENTION BY THE EC AND THUS WILL NOT BE ELIGIBLE FOR COMMODITY STABILIZATION (STABEX) FUNDS.

4. ASEAN AND THE US PRIVATE SECTOR (UNCLASSIFIED)

AS PART OF OUR UPCOMING CONSULTATIONS WITH ASEAN AND OUR DESIRE TO PUT EMPHASIS ON THE DEVELOPMENT OF THE PRIVATE SECTOR AND PRIVATE FOREIGN INVESTMENT IN ASEAN, WE THINK IT DESIRABLE TO PROMOTE DIRECT CONTACT BETWEEN THE ASEAN PRIVATE SECTOR AND US AND OTHER INVESTOR GROUPS. SOME FAVORABLE DEVELOPMENTS ALONG THESE LINES HAVE RECENTLY OCCURRED. APCAC'S CHAIRMAN INFORMED US THAT APCAC HAS NOW SET UP A COMMITTEE WITH ASEAN AND GEORGE SUTER, PRESIDENT OF AMCHAM PHILIPPINES WILL CHAIR THIS COMMITTEE. WE ALSO JUST LEARNED THAT THE US CHAMBER OF COMMERCE HAS TENTATIVELY INCLUDED IN ITS NEXT YEAR PROGRAM THE FORMATION OF A US-ASEAN BUSINESS COUNCIL.

LASTLY, WE ARE EXPLORING WHETHER THE PACIFIC BASIN ECONOMIC COUNCIL (PBEC), A HIGH LEVEL BUSINESS GROUP WITH

PARTICULARLY US, CANADIAN, JAPANESE, AUSTRALIAN AND NEW ZEALAND PARTICIPATION, WOULD BE INTERESTED IN ORGANIZING AN INVESTMENT SEMINAR IN ONE OF THE ASEAN CAPITALS IN THE FORESEEABLE FUTURE.

5. PRESIDENTIAL DECISION ON ECONOMIC SUMMIT AND CIEC
(CONFIDENTIAL)

CONTRARY TO EXPECTATIONS REPORTED LAST WEEK, THE PRESIDENT HAS NOT YET MADE A DECISION ON A NUMBER OF SUMMIT AND CIEC ISSUES PRESENTED TO HIM BY EPG.
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6. EPG AGREES ON US POSITION ON ENERGY IN CIEC
(CONFIDENTIAL)

THE PRINCIPAL ELEMENTS OF OUR POLICY ON ENERGY IN CIEC, TO BE APPROVED BY THE PRESIDENT AND COORDINATED WITH THE G-8, ARE: 1) A SET OF GUIDING PRINCIPLES ON FUTURE ENERGY AVAILABILITY AND SUPPLY WITH SOME ACCEPTANCE BY ALL THREE GROUPS REPRESENTED IN CIEC OF THEIR RESPONSIBILITIES, 2) ENDORSEMENT OF THE INTERNATIONAL ENERGY INSTITUTE AS A MULTILATERAL SUPPLEMENT TO EFFORTS TO INCREASE ACCESS TO ENERGY TECHNOLOGY FOR LDCS, 3) A COMMITMENT TO INCREASE ENERGY R AND D COOPERATION BETWEEN DCS AND KEY OPEC COUNTRIES, 4) A METHOD FOR CONTINUING THE ENERGY DIALOGUE AFTER THE CIEC, 5) A RECOMMENDATION FOR INCREASED PUBLIC FINANCING, MOSTLY THROUGH THE WORLD BANK, OF LDC ENERGY DEVELOPMENT. THE LAST ITEM IS CONSIDERED THE KEY SWEETENER IN THE PACKAGE.

7. CONCLUSION OF FIRST SESSION OF COMMON FUND CONFERENCE
(CONFIDENTIAL)

THE US SURVIVED THE FIRST SESSION OF THE UNCTAD COMMON FUND CONFERENCE WHICH ENDED WITH A NEGOTIATED STATEMENT BY THE CHAIRMAN SETTING FORTH HIS PERSONAL, NON-BINDING ASSESSMENT OF THE RESULTS OF THE SESSION. THE STATEMENT NOTED THE VIEWS OF VARIOUS GROUPS OF COUNTRIES, INCLUDING THE US, PERCEIVED A "LARGE CONSENSUS" FOR THE ESTABLISHMENT OF A COMMON FUND AND INDICATED THAT NEW DATES WILL BE SOUGHT FOR A RESUMPTION OF THE NEGOTIATIONS. THE US SPOKESMAN AFTER THE MEETING STATED THAT THE CHAIRMAN'S PERSPECTIVE OF A LARGE CONSENSUS DID NOT INCLUDE THE US.

THE MEETING ACCOMPLISHED THE MINIMUM US OBJECTIVES; IT AVOIDED A US COMMITMENT TO A COMMON FUND AND DID NOT LEAD
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TO A BREAKDOWN OF RELATIONS WITH THE G-77. HOWEVER, THE G-77 REPRESENTATIVE (BRAZIL) CALLED THE RESULTS A "COMPLETE FAILURE". INTERESTINGLY, THE US POSITION WAS SHARED BY A "PACIFIC" ALLIANCE OF JAPAN, CANADA, AUSTRALIA, AND NEW ZEALAND. BUT THE RIFT BETWEEN THIS GROUP'S POSITION AND THE MORE FORTHCOMING VIEW OF THE EC ON THIS ISSUE AS EXPRESSED IN THE MARCH 26 ROME COMMUNIQUE PRESENTS SERIOUS PROBLEMS ON SUBSTANCE AND WILL MAKE G-8 COORDINATION ON THIS ISSUE FOR THE CIEC PARTICULARLY DIFFICULT.

8. SUGAR AND TIN (LIMITED OFFICIAL USE)

IT WAS DECIDED AT THE EPG MEETING ON MONDAY THAT THE US SHOULD PARTICIPATE IN THE NEGOTIATIONS FOR A NEW INTERNATIONAL SUGAR AGREEMENT. A COMMITTEE COMPOSED OF THE PRESIDENT, SECRETARY OF AGRICULTURE BERGLAND, AND EIGHT SENATORS FROM SUGAR PRODUCING STATES WAS ESTABLISHED TO DECIDE WHAT RELIEF SHOULD BE GIVEN TO DOMESTIC PRODUCERS. HOWEVER, IN LIGHT OF A COMMENT BY SECRETARY BERGLAND THAT ANY DOMESTIC ACTIONS WHICH WOULD AFFECT OUR NEGOTIATING POSITION ON THE ISA SHOULD BE AVOIDED, EB BELIEVES THERE IS GOOD POSSIBILITY THAT THERE WILL BE NO RESTRICTIVE IMPORT QUOTA ON SUGAR.

BOLIVIA HAS ANNOUNCED THAT IT WILL RATIFY THE FIFTH TIN AGREEMENT.

9. FOOTWEAR AND COLOR TV (LIMITED OFFICIAL USE)

THE PRESIDENT'S DECISION ON FOOTWEAR CALLED FOR AN EXPANDED ADJUSTMENT ASSISTANCE PROGRAM AND THE NEGOTIATION OF ORDERLY MARKETING AGREEMENTS WITH TAIWAN AND KOREA. IN LIGHT OF THE POLITICAL PRESSURES THIS WAS PROBABLY THE MOST LIBERAL ACTION THE PRESIDENT COULD HAVE CONFIDENTIAL

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TAKEN WITHOUT RISKING AN OVERRIDE BY CONGRESS. HOWEVER, THE CRUCIAL, AND AS OF YET UNANSWERED QUESTION, IS HOW RESTRICTIVE THE QUOTA LEVELS IN THE OMA WILL BE. WE ANTICIPATE THAT THE KOREANS AND TAIWANESE WILL BE HARD BARGAINERS.

STR STRAUSS WILL BE DISCUSSING A RESTRAINT LEVEL FOR JAPANESE COLOR TV EXPORTS DURING HIS TRIP TO JAPAN THIS WEEK. HIS DISCUSSIONS WILL LAY THE GROUNDWORK FOR AN AGREEMENT WHICH EA AND EB HOPE WILL NOT RESTRICT US IMPORTS OF TVS FROM THE OTHER SUPPLIER COUNTRIES.

10. GSP OPEC EXCLUSION (LIMITED OFFICIAL USE)

ACTING SECRETARY CHRISTOPHER DECIDED THAT STATE SHOULD

SUPPORT IN PRINCIPLE THE REMOVAL OF THE OPEC EXCLUSION FROM GSP BUT "WOULD NOT OPPOSE" THE MORE LIMITED MEASURE OF REMOVING THE EXCLUSION FROM NON-EMBARGOING OPEC COUNTRIES. THIS DECISION IS SOMEWHAT LESS FORCEFUL THAN WE HAD RECOMMENDED IN THAT IT DOES NOT CALL FOR "ACTIVE SUPPORT" OF AN AMENDMENT REMOVING THE OPEC EXCLUSION FROM NON-EMBARGOING COUNTRIES. EB IS IN THE PROCESS OF DRAFTING A MEMORANDUM TO THE NSC RECOMMENDING THAT PRESIDENT CARTER SEND A LETTER TO CONGRESS STATING HIS SUPPORT OF THIS POSITION.

11. FY 77 SUPPLEMENTAL APPROPRIATIONS AND FY 78 AUTHORIZATION FOR IFIS (UNCLASSIFIED)

THE FY 77 SUPPLEMENTAL APPROPRIATIONS FOR IFIS, TOGETHER WITH A BUNDLE OF OTHER APPROPRIATIONS, IS GOING TO A SENATE-HOUSE CONFERENCE THIS WEEK. TO BE RESOLVED IS THE DIFFERENCE BETWEEN FULL DOLLARS 25 MILLION APPROPRIATED FOR THE ASIAN DEVELOPMENT FUND BY THE SENATE AND DOLLARS 15 MILLION APPROVED BY THE HOUSE.

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THE FY 78 AUTHORIZATION BILL FOR THE IFIS IS GOING TO THE FULL HOUSE THIS AFTERNOON. THE ONLY PROBLEM FORESEEN IS WHETHER A COALITION OF OPPONENTS TO THE SUBSTANTIAL INCREASE TO THE AFRICAN DEVELOPMENT FUND AND THOSE OPPOSED TO THE SUBSTITUTION OF THE REUSS AMENDMENT FOR THE HARKIN AMENDMENT ON HUMAN RIGHTS COULD COMBINE TO DO DAMAGE TO THE BILL.

12. EXIM BANK LEGISLATION (UNCLASSIFIED)

THE NEAL HOUSE BANKING SUBCOMMITTEE HAS POSTPONED MARK UP ON THE EXIM BANK BILL FROM MARCH 31 TO APRIL 21. THIS WILL PROVIDE MORE TIME TO DISCUSS THE NUCLEAR AMENDMENTS. THE ADMINISTRATION PROPOSED REVISION OF THE HUMAN RIGHTS LANGUAGE HAS BEEN TENTATIVELY ACCEPTED BY THE SUBCOMMITTEE. THE AU COIN AMENDMENT TO REMOVE THE PRC FROM THE RESTRICTION ON THE CREDIT WILL ALSO BE CONSIDERED ON APRIL 21. THE SUBCOMMITTEE HAS INVITED STATE TO COMMENT FURTHER ON THIS BILL IF WE SO DESIRE. EB/EWT IS CONSIDERING THIS PROPOSAL.

13. OECD COMMITTEE ON INTERNATIONAL INVESTMENT AND MULTINATIONAL ENTERPRISES (CIME) MEETING SUCCESSFUL (CONFIDENTIAL)

CIME HELD ITS FIRST CONSULTATION UNDER THE OECD

GUIDELINES FOR TNES FROM MARCH 31 TO APRIL 1. ALTHOUGH THERE WERE FEARS THAT THE MEETING COULD BECOME

CONFRONTATIONAL BECAUSE OF BELGIAN AND TRADE UNION ADVISORY COUNCIL PRESENTATIONS ON SPECIFIC CASES, ALL WENT WELL AND NO PRECEDENTS WERE ESTABLISHED THAT COULD UNDERMINE THE VIABILITY OF THE GUIDELINES THEMSELVES.

14. SECTION 911 (UNCLASSIFIED)
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ASSISTANT SECRETARY KATZ SENT A LETTER TO WAYS AND MEANS COMMITTEE CHAIRMAN ULLMAN SUPPORTING THE ELIMINATION OF THE RETROACTIVE PROVISION OF LAST YEAR'S TAX BILL AFFECTING THE TAXATION OF INCOME OF PRIVATE AMERICAN CITIZENS ABROAD. THE KATZ LETTER REPORTEDLY WAS INSTRUMENTAL IN SWAYING THE HOUSE TO REPEAL RETROACTIVITY; THE SENATE HAS PREVIOUSLY APPROVED THIS PROVISION. THE ULTIMATE FATE OF THE REPEAL NOW DEPENDS ON WHAT WILL HAPPEN TO THE STIMULUS PACKAGE TO WHICH THE SECTION 911 AMENDMENT IS ATTACHED AND WHICH WILL BE TAKEN UP BY CONGRESS AFTER THE EASTER RECESS.

15. TAX DEFERRAL (UNCLASSIFIED)

SENATOR CHURCH INTRODUCED A BILL TO DO AWAY WITH TAX DEFERRAL, THE ISSUE WHICH EXERCISES THE ASEAN COUNTRIES. ACCORDING TO OUR INFORMATION THE SENATOR DOES NOT INTEND TO PUSH HIS BILL. THE ADMINISTRATION IS OPPOSED TO IT AT THIS TIME, I.E. BEFORE THE MAJOR TAX REFORM REVIEW HAS BEEN COMPLETED.

16. IMF/PRC CONSULTATIONS (CONFIDENTIAL)

THE IMF TEAM WHICH CONSULTED WITH THE UN MISSION OF THE PRC REPORTED TO THE BOARD LAST WEEK. ESSENTIALLY THEY RECEIVED THE SAME LINE AS WAS CONTAINED IN PREVIOUS PRC COMMUNICATIONS, I.E. THAT THE ROC HAS TO BE EXPELLED, THAT THE UN RESOLUTION ON CHINA REPRESENTATION SHOULD APPLY TO THE IMF AND THAT CHINESE ASSETS IN THE IMF BELONG TO THE PRC. WHEN REMINDED THAT THERE ARE ALSO OBLIGATIONS CONNECTED WITH IMF MEMBERSHIP THE MISSION SAID THAT IT WILL COMMUNICATE WITH PEKING AND WILL LET THE IMF KNOW. WHILE WE DO NOT SEE MUCH CHANGE IN THIS POSITION REGARDING PRC PARTICIPATION IN THE IMF, AT LEAST ONE EUROPEAN EXECUTIVE DIRECTOR THOUGHT THAT THE PRC

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MISSION'S WILLINGNESS TO INQUIRE ABOUT PEKING'S ATTITUDE REGARDING OBLIGATIONS REPRESENTS A NEW ELEMENT. IN THE MEANTIME THE RESTITUTION OF GOLD TO THE ROC REMAINS IN SUSPENSE.

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